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Hammond

October 23, 2001

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Board of Supervisors

GLORIA MOLINA
First District

YVONNE BRATHWAITE BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

Dear Supervisors:

**USE OF ADDITIONAL 2000-01 GENERAL FUND, HOSPITAL ENTERPRISE, AND
SPECIAL FUNDS' FUND BALANCE IN 2001-02 COUNTY BUDGET
(ALL DISTRICTS AFFECTED) (4 VOTES)**

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve an appropriation adjustment transferring \$3,811,000 from the Appropriation for Contingencies to account for carryover adjustments from the 2001-02 Adopted Budget in Capital Projects, Extraordinary Maintenance, Board of Supervisors, Project and Facility Development, Employee Computer Purchase Program, and Probation-Community Based Contracts; and the County Museum of Natural History contractual obligation. In addition, delete \$97,000 and 3.0 budgeted positions from Provisional Financing Uses (PFU) to partially fund the above carryover adjustments.
2. Approve an appropriation adjustment transferring \$4,682,000 from the Appropriation for Contingencies to provide funding for certain high priority capital projects.
3. Approve an appropriation adjustment transferring \$9,118,000 from the Appropriation for Contingencies to the Probation and Health Services Departments to begin addressing mental health, health, facility, and education service concerns identified thus far by the State Department of Justice's (DOJ) investigation of the three juvenile halls.



4. Approve an appropriation adjustment transferring \$5,881,000 from the Appropriation for Contingencies to fund the cost of implementing the County's Security Action Plan and 28 budgeted positions in eight County departments.
5. Approve an appropriation adjustment transferring \$1,653,000 from the Enterprise Fund Designation for the Department of Health Services (DHS) to fund capital projects needs in DHS, and to make other necessary transfers of appropriation within DHS to carry out the intent of the 2001-02 budget as adopted.
6. Approve an appropriation adjustment transferring \$3,075,000 from Appropriation for Contingencies within the Public Library Fund to align the Department's budget with its projected expenditures and revenues.
7. Approve an appropriation adjustment within the Park In-Lieu Fees Fund (Quimby) to reallocate \$28,000 from Other Charges to Services and Supplies to properly account for prior-year expenditures on various park capital projects.

PURPOSE OF RECOMMENDED ACTION

For the 2000-01 fiscal year closing, the Auditor-Controller has identified an additional \$170,480,000 available fund balance in the General Fund. As part of the Auditor-Controller's Supplemental Budget Resolution (also on the October 23, 2001 Board agenda), the Auditor-Controller is recommending allocating this additional fund balance to the Appropriation for Contingencies.

The recent tragic events in New York, Pennsylvania, and Washington, D.C., appear to have contributed to an uncertain economic future for the Nation, State, and County to a degree not experienced in several years. Slowing economic news continues to be the theme nationwide with a significant number of layoffs reported in the airline and travel related industries, weakness in manufacturing and less than stellar estimated corporate earnings. The State of California recognizing the downward slide of the economy is in the process of preparing for leaner times signaling a cascading impact to cities and counties who rely on Sacramento for funding of local programs. This letter reflects this

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office's recommendations for prudent one-time spending uses due to the anticipated economic decline.

With regard to DHS, \$121.9 million was identified in the 2000-01 closing as available fund balance in DHS' Enterprise Fund, which included \$1,653,000 of capital projects surplus funds. This action will result in the use of the \$1,653,000 to complete the capital projects in 2001-02 and to re-balance DHS' 2001-02 budget.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

These actions support the County's Strategic Plan Goal of Fiscal Responsibility.

JUSTIFICATION OF RECOMMENDED ACTION

We have prioritized actions into two categories, by fund group, according to its importance on when your Board should take action. The first category is recommended actions considered emergent and presented to your Board for immediate approval to address critical needs and reconcile carryover adjustments. The second category of items are recommended but deferred until December 2001 pending my office's completion of the County's Budget Status Report which monitors departmental and countywide revenues and expenditures. In addition, at that time, we hope to have more information regarding the impact of the State announced 15 percent budget curtailments and the state of the economy.

GENERAL FUND

Category I: Emergent Recommended Actions

1. Carryovers: We are recommending \$3,811,000 from the Appropriation for Contingencies to account for carryover adjustments in Capital Projects, Extraordinary Maintenance, Board of Supervisors, Project and Facility Development, Employee Computer Purchase Program, and Probation-Community Based Contracts, and to meet the County's Museum of Natural History contractual obligation.

Included in the Capital Projects carryover change is funding for the refurbishment of the Department of Human Resources offices.

The deletion of \$97,000 and 3.0 Chief Administrative Office budgeted positions in PFU made it available to partially fund the carryover adjustments.

2. Capital Projects: The recommended appropriation of \$4,682,000 from the Appropriation for Contingencies reflects allocations for three high priority capital projects:
 - \$500,000 to complete nonstructural repairs to County hospitals required under SB1953;
 - \$3,000,000 for additional site preparation required for the 240-Bed Housing Unit Replacement Project at Central Juvenile Hall; and
 - \$1,182,000 for the construction of modular buildings at the juvenile halls for medical and mental health services identified in the DOJ investigation.
3. Department of Justice Concerns: A total of \$9,118,000 is recommended from the Appropriation for Contingencies to provide for:
 - Probation: \$8,718,000 to begin addressing mental health, facility and education service concerns thus far identified by the DOJ investigation of the three juvenile halls.
 - Juvenile Court Health Services: A total of \$400,000 is recommended for computer systems automation and enhancements, and the conversion of medication dispensing at three juvenile halls to a unit dose pharmacy system per the DOJ investigation.
4. Security: The recommended appropriation of \$5,881,000 reflects the transfer of funds from the Appropriation of Contingencies to fund the implementation of the County's Security Action Plan costs and 28 budgeted positions in eight County departments.

In summary, our funding of emergent recommendations for use of available funding total \$23,492,000, leaving an unallocated balance of \$146,988,000 in the Appropriation for Contingencies. Additionally, we are recommending the items below, totaling \$64,900,000, be deferred until December 2001. Board approval of these items would result in a remaining balance of \$82,088,000 in the Appropriation for Contingencies which would be available for future Board consideration.

Category II: Recommendations Deferred to December 2001

1. Capital Projects: Defer an appropriation adjustment of \$27,500,000, which reflects funding for high priority capital projects. The allocations include:
 - Rancho Los Amigos Medical Center: \$2,000,000 for the demolition of abandoned buildings on the south campus that have become a public safety hazard;
 - Torrance Health Center: \$500,000 to complete the seismic upgrade of the health center, which is an unreinforced masonry building; and
 - \$25,000,000 for various capital project allocations.
2. Extraordinary Maintenance: Defer an appropriation adjustment of \$7,300,000 for various high priority deferred maintenance projects and other needs. This adjustment includes:
 - \$1.3 million for facility improvements to Public Libraries;
 - \$1.0 million for seismic repairs at various County facilities; and
 - \$5,000,000 for various high priority deferred maintenance projects and other needs.
3. Probation: Defer an appropriation adjustment which provides \$4,734,000 in funding for the Department to backfill a revenue source loss with net County cost.
4. Public Social Services: Defer an appropriation adjustment of \$18,000,000 to

provide 12 months of funding for In-Home Supportive Services (IHSS) wage increases up to \$7.50 per hour.

5. Fire Department-Lifeguard: Defer an appropriation adjustment of \$2,500,000 to the Fire Department-Lifeguard as a partial repayment for three prior years' of overhead costs not provided by the General Fund.
6. Miscellaneous Actions: Defer an appropriation adjustment of \$4,866,000 for miscellaneous projects.

HOSPITAL ENTERPRISE FUND

Category I: Emergent Recommended Actions

Department of Health Services (DHS): A total of \$1,653,000 is recommended to fund capital projects needs, as well as various adjustments, identified below, which total \$5.8 million, offset by \$5.8 million in realigned costs, savings or increased revenues and resulting in no additional County cost.

- **Program Changes**: Add 124.6 positions, primarily for the South Antelope Valley Project, Health Insurance Portability and Accountability Act/Itemized Data Collection, and the California Endowment Cervical Cancer program. Funding of \$4.9 million was already reflected in the DHS budget, pending receipt of Board-ordered item controls.
- **Miscellaneous Changes**: Make various cost changes totaling \$0.9 million, fully offset by savings and revenue changes to reflect ongoing operations needs, with no net change in funding, and realigns Cost-Based Reimbursement Clinic, Medi-Cal and 1115 Waiver Supplemental Pool revenues between facility budgets.

The balance in the DHS Enterprise Fund Designation, with the addition of the \$121.9 million identified in the 2000-01 closing, is \$318.2 million. The use of \$7.1 million in the 2001-02 Adopted Budget, which includes the recommended use of \$1,653,000 for capital projects needs, leaves a balance of \$311.0 million in the DHS Enterprise Fund Designation for future years.

SPECIAL FUNDS

Category I: Emergent Recommended Actions

1. Public Library Fund: The recommended appropriation adjustment transferring \$3,075,000 from the Library's Appropriation for Contingencies reflects an alignment of the Department's budget to the projected expenditures and revenues reported to your Board in a joint memo by the CAO and County Librarian dated October 17, 2001 on the Library's multi-year forecast.
2. Park In-Lieu Fees Fund (Quimby): Appropriation adjustments of \$28,000 are recommended within the Park In-Lieu Fees Fund to reflect prior year expenditures on various park related projects.

FISCAL IMPACT

These recommendations appropriate funding from the Appropriation for Contingencies and carryover savings identified in the 2000-01 book closing primarily for one-time capital project and infrastructure needs and identified departmental needs.

FINANCING

Financing for all recommendations is available in the Appropriation for Contingencies, the designation accounts, and the special funds budgets, as appropriate.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Not applicable.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

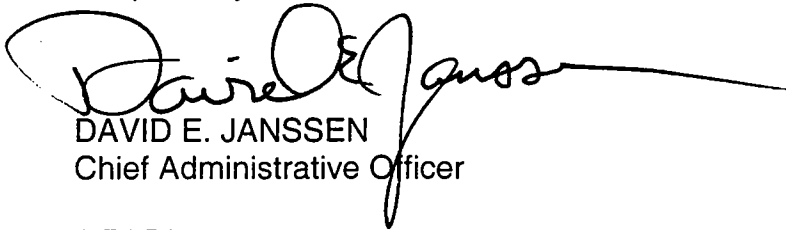
Adoption of these recommendations would allow your Board to:

- Address high priority capital needs as well as critical physical infrastructure needs;

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- Retain a balance in the General Fund Appropriation for Contingency for future Board priorities; and
- Resolve and address necessary adjustments in the DHS and Special Funds budgets.

Respectfully submitted,



DAVID E. JANSSEN
Chief Administrative Officer

DEJ:DL
SK:MO:vyg

Attachments

c: All Department Heads